

**SAMPLE PROPOSAL  
State Organization**

**THIS IS A SHORT, SIMPLIFIED SAMPLE OF AN INDIRECT  
COST PROPOSAL. IF YOU WOULD USE THIS TYPE OF FORMAT,  
THE NATIONAL BUSINESS CENTER COULD SPEED UP THE  
NEGOTIATION OF YOUR FIXED-WITH-CARRYFORWARD  
INDIRECT COST RATE.**

**Information and examples used in this proposal  
are all fictitious and  
represent no particular state or local government organization.**

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Total 11 Pages

Revised (3/15/02)

[State or Local Government Organization]  
Indirect Cost Rate Proposal  
For the Period July 1, 2002, Through June 30, 2003

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[State or Local Government Organization]  
Indirect Cost Rate Proposal  
For the Period July 1, 2002, Through June 30, 2003

**INTRODUCTION**

The [State or Local Government Organization] has received an indirect cost rate from the Department of the Interior since fiscal year (FY) 1990. This proposal is based upon estimated budgets for all programs to be administered by the [Organization] during the period July 1, 2002, through June 30, 2003. All Federal, State, and district programs have been included in the proposal.

We have also included audited financial statements for all programs and the indirect cost pool for FY 2001. Using the FY 2001 figures, we determined that the [Organization] had an overrecovery of \$2,200,000 on Federal and non-Federal programs. This overrecovery was included in our computation of the proposed FY 2003 fixed carryforward rate of 18.9 percent.

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[State or Local Government Organization]  
Indirect Cost Rate Proposal  
For the Period July 1, 2002, Through June 30, 2003

**CERTIFICATE OF INDIRECT COSTS**

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal **[fill in date]** to establish billing or final indirect costs rates for **[fill in period covered by rate]** are allowable in accordance with the requirements of the Federal award(s) to which they apply and OMB Circular A-87, "Cost Principles for State and Local Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or casual relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare under penalty of perjury that the foregoing is true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name of [State or Local Government Organization]

\_\_\_\_\_  
Date Signed

[State or Local Government Organization]  
Indirect Cost Rate Proposal  
For the Period July 1, 2002, Through June 30, 2003

**ACCOUNTING SYSTEM DESCRIPTION**

The [State or Local Government Organization] has an automated, double-entry, accrual system of accounting. Separate journals and ledgers (organization codes and project numbers) are maintained for each individual program in the direct cost base. A separate journal and a general ledger (organization codes and project numbers) are also maintained for the indirect cost pool.

**NOTE: THIS REPORT OR ONE SIMILAR IS REQUIRED ONLY FOR STATE OR LOCAL GOVERNMENT ORGANIZATIONS IN THEIR FIRST AND SECOND YEARS OF INDIRECT COST PROPOSAL NEGOTIATIONS.**

### **ACCOUNTANT'S REPORT**

We have examined management's assurances that [State or Local Government Organization] meets the standards for grantee financial management systems and related internal controls required by Title 25, Chapter 1, of the Code of Federal Regulations, Part 276.7, and reviewed the bookkeeping and accounting systems of the [Organization] and the related internal controls do determine if the existing system and controls are in compliance with the standards set forth in Title 25, Chapter 1, of the Code of Federal Regulations, Part 276.7., by providing for the following:

1. Accurate, current, and complete disclosure of the financial results of each contract and/or grant program in accordance with Federal reporting requirements.
2. Records that identify adequately the source and application of funds for each contract and/or grant program.
3. Effective control over, and accountability for, all contract and/or grant or subgrant funds and real and personal property acquired with grant or subgrant funds.
4. Comparison of actual costs with budgeted amounts for each contract and/or grant or subgrant.
5. Procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by the grantee.
6. Procedures for determining the allowability and allocability of costs with the applicable cost principles.
7. Accounting records that are supported by source documentation.
8. A systematic method to assure timely and appropriate resolution of audit findings and recommendations.

We understand that procedures in conformity with the above criteria are considered by most granting agencies to be adequate for their purpose, and that procedures not in conformity with those criteria indicate some inadequacy for such purposes. In our opinion based on this understanding and our review and testing of the management systems for record keeping, personnel, procurement, financial management and property management, the [Organization] financial management systems are adequate to meet the criteria established in Title 25, Chapter 1, of the Code of Federal Regulations, Part 276.7.

This report is intended for the information of the State or Local Government and federal and state granting agencies designated by the Tribal Council; it should not be used for any other purpose.

CPA's Signature and Date

[State or Local Government Organization]  
Indirect Cost Rate Proposal  
For the Period July 1, 2002, Through June 30, 2003

**POLICY STATEMENT ON DIRECT VERSUS INDIRECT COSTS**

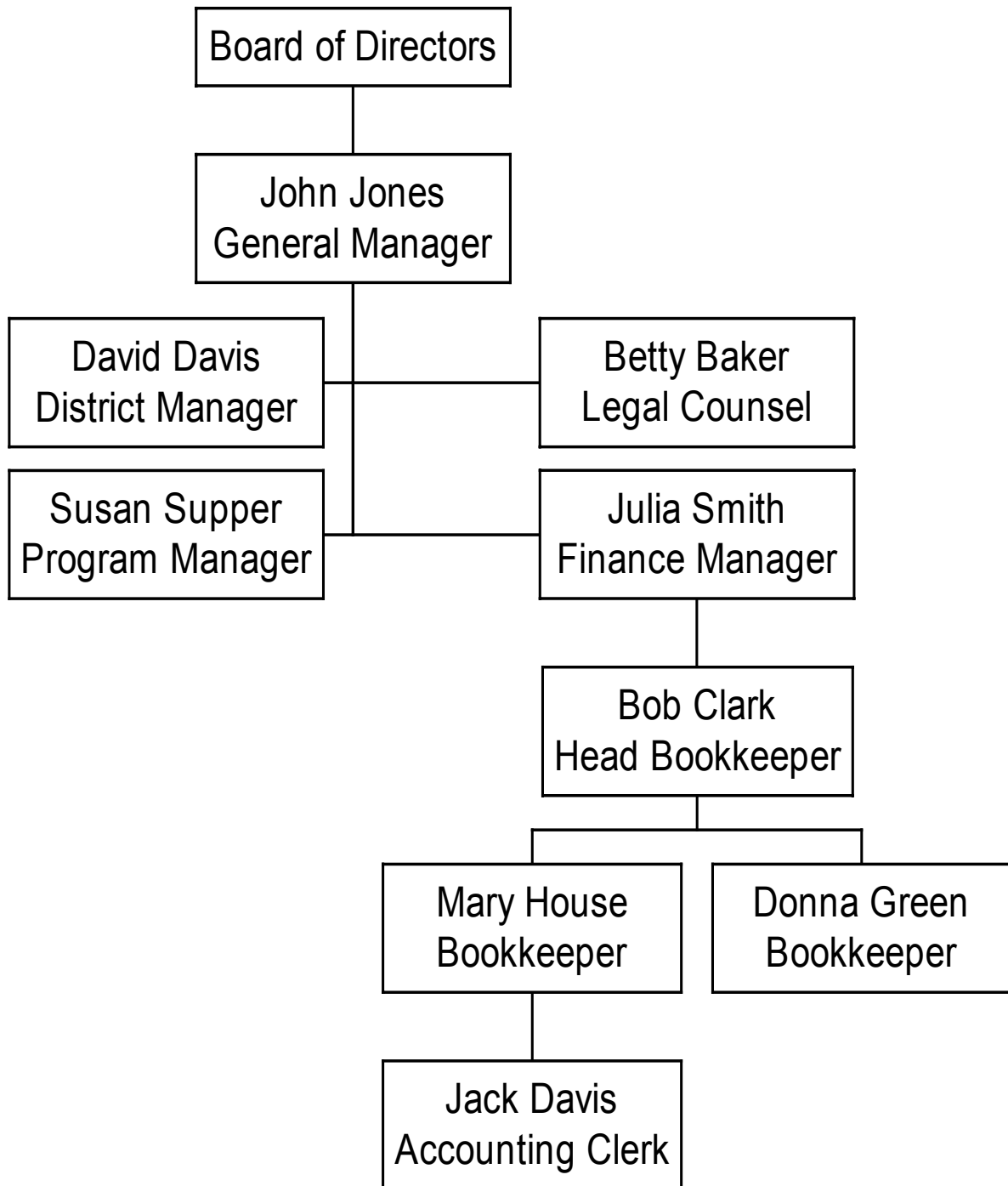
Direct costs consist of those costs that can be readily identified as a direct contract/grant cost and addressed as benefiting a particular cost objective.

The following indirect costs incurred for the operation of the administration of the [ State or Local Government Organization] have been classified as indirect costs in accordance with the standards for indirect costs as described in Circular A-87 issued by the Office of Management and Budget. For reasons itemized below, these costs have been determined to comply with the above stated criteria and are therefore to be consistently charged as indirect costs within the funding formulas determined by the cognizant agencies. All items listed below have been determined to benefit more than one cost objective and are not readily allocable to benefiting programs.

1. Salaries paid to the administrative staff of the [Organization].
2. Fringe benefits, including payroll taxes and medical insurance for the administrative staff.
3. Travel, including meals, lodging, and transportation costs for indirect personnel conducting business that is of an indirect nature (i.e., the benefit is not directly related to one program, but instead benefits many programs). Per Diem follows the guidelines established for the Federal Government by the General Service Administration.
4. Insurance costs for the general umbrella policy and the fidelity bond of the [Organization].
5. Office supplies, including office supplies used that cannot be specifically identified with a particular grant.
6. Telephone and utilities.
7. Consultants, including attorney fees, audit fees, and preparation of the indirect cost proposal.
8. Repairs and maintenance of the [Organization] facilities that are utilized by programs and grants.

Other indirect costs may be included in the administration of the indirect cost pool. Costs included in the indirect cost pool may not be limited to the above list; however, they are the only such costs foreseen at this time. Each cost is examined for compliance with prescribed criteria before being classified as an indirect cost.

[State or Local Government Organization]  
Organizational Chart  
FY 2000





**[State or Local Government Organization]**  
**Calculation of Carryforward and Indirect Cost Rate Computation**  
**Fiscal Year Ending June 30, 2003**

<u>TITLE/DESCRIPTION</u>	YEAR ENDING
	<u>AMOUNTS</u>
FY 2001 Direct Cost Base (based on actual costs incurred)	\$46,000,000 *
FY 2001 Indirect Cost Rate (per FY 2001 Negotiation Agreement)	<u>20.0%</u>
FY 2001 Recoverable Indirect Costs	<u>\$9,200,000</u>
 FY 2001 Indirect Costs (based on actual costs incurred)	 \$9,000,000 *
FY 2001 SWCAP (if any)	1,500,000 *
FY 1999 Carryforward to FY 2001 (per FY 2001 negotiation agreement)	<u>-3,500,000</u>
 FY 2001 Indirect Cost Pool	 7,000,000
FY 2001 Recoverable Indirect Costs (from above)	<u>-9,200,000</u>
FY 2001 Carryforward to FY 2003	-2,200,000
 FY 2003 Indirect Costs (proposed)	 9,000,000 **
FY 2003 SWCAP (if any)	<u>1,500,000 **</u>
FY 2003 Indirect Cost Pool	<u>\$ 8,300,000</u>
 FY 2003 Direct Cost Base (proposed)	 <u>\$44,000,000 **</u> 1/
 FY 2003 Indirect Cost Rate	 <u>18.9%</u>

\* Please provide detail support for actual indirect and actual direct base costs reconcilable to financial statements that meet the requirements of the Single Audit Act of 1984, Public Law 98-502.

\*\* Please provide detail support for proposed indirect and direct base costs and indicate the percentage of Federal funding in the base.

1/ Federal funding percentage = 45%

**[State or Local Government Organization]**  
**Reconciliation of Audited Financial Statements Costs to**  
**Indirect Cost Proposal**  
**For the Period Ended June 30, 2001**

Cost Per Financial Statements

Costs Per: General Fund	\$ _____
Special Revenue Fund	_____
Enterprise Fund	_____
_____ Fund	_____
_____ Fund	_____
Total Costs to be Accounted For:	\$ _____

Cost Per Indirect Cost Proposal (Actual Costs)

Direct Costs	\$ _____
Indirect Costs	_____
	_____
Subtotal	_____
Add: Costs Excluded From the Proposal:	
Capital Equipment	\$ _____
Flowthrough/Passthrough Funds	_____
Other Eliminations	_____
Participant's Stipends	_____
Directly Funded Indirect	_____
Other Exclusions	_____
	_____
Total Costs Accounted For:	\$ _____
Difference	\$ _____

Explanation of Difference:

Note: A reconciliation of actual costs (carryforward year), as stated in the proposal, with total costs in the audited financial statements should be completed as part of the proposal.

[State or Local Government Organization]  
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**INDIRECT COST PERSONNEL JUSTIFICATIONS**

The following account of each position should provide the necessary justification to fund administrative costs through the indirect cost pool for fiscal year 2003.

**GENERAL MANAGER:** The General Manager has administrative responsibility for all staff and activities of the [Organization]. Under the direction of the Board of Directors, the General Manager plans, administers through subordinate supervision, reviews and evaluates all Organizational functions and activities; ensures that such activities are carried out within statutory, budgetary and policy guidelines. The General Manager is also responsible for representing the [Organization] in negotiations of grants/contracts; coordinating the direction of the [Organization]; and representing the [Organization] in meetings with governmental and business [Organizations], community groups, developers, customers and the public. Therefore, only 40 percent of the General Manager's time is charged to indirect administration, with the remaining 60 percent charged direct to contracts and program activities.

**FINANCE MANAGER:** This position handles the business activities of the [Organization]. The Finance Manager develops and administers the annual budget for the [Organization]; reviews and authorizes expenditures; plans and recommends revenue strategies, and implements plans after approval by General Manager and the Board. This position will be responsible for the business department and also be involved in program business activities, with 80 percent of the time chargeable to indirect administrative costs.

**HEAD BOOKKEEPER:** The Head Bookkeeper plans, organizes, directs and coordinates the administrative support functions of the [Organization]. Specifically, the Head Bookkeeper provides general management and administration of the [Organization]'s billing and collection system, personnel, accounting, customer service, records maintenance and related office support services. In addition, the Head Bookkeeper assists in budget preparation and monitors and controls administrative costs.

**BOOKKEEPERS:** These positions are responsible for maintaining the books of entry for all programs and ensuring that the financial system is kept current. Specifically, the Bookkeepers perform accounting work of a technical nature and assist in the financial operation of the [Organization]. Major duties include maintenance of accounts payable, receivable, cash disbursements and the general ledger. In addition, the bookkeepers reconcile bank statements and all monthly financial reports, as necessary, for the General Manager.

**ACCOUNTING CLERK:** This position is part of the centralized accounting department of the [Organization]. The Accounting Clerk is responsible for distributing payroll for all programs and ensuring that the proper reports and records are kept current. This position also assists with the accounts payable.